REMARKS

1. Summary of the Office Action

In the Office Action mailed September 20, 2004, the Examiner rejected claims 1-3, 5-18, 20-26, and 28-32 under 35 U.S.C. 102(e) as being anticipated by Shkedy, (U.S. Patent No. 6,236,972, hereinafter referred to as Shkedy), and rejected claims 4, 19 and 27 under 35 U.S.C. 103(a) as being unpatentable over Shkedy in view of Hambrecht et al. (U.S. Publication No. 6,629,082, hereinafter referred to as Hambrecht).

2. Summary of the Shkedy Reference

The Shkedy reference cited by the Examiner generally relates to a method and a system for using a computer to facilitate a secondary-market transaction of registered shares of an investment company such as a mutual fund or a hedge fund between a buyer and a seller. The system receives from a customer (i.e. a buyer or a seller) an order including the order type (i.e. a sell order or a buy order) and the class and the quantity of shares to be traded. At the end of the day, a central controller then matches buyers and sellers and determine which orders were executed. Specifically, the central controller scans the database for matching sell and buy orders and executes trade upon a match. The object of the Shkedy reference is to provide individuals with the ability to minimize the transaction fees they pay to trade mutual fund shares with the mutual fund investment companies.

3. Summary of Claimed Invention

The specification describes a method and a system for creating a secondary market in private equity by auctioning venture-backed private equities over the Internet to qualified investors. A transaction in the system can be a buyer-driven transaction or a seller-driven transaction. In a buyer-driven transaction, buyers (i.e. investors) put out a bid or a notice that they are interested in a particular equity asset. Sellers (i.e. private companies and asset holders) who have the type of asset desired by the buyers receive the notice of the bid and can then respond to

negotiate. In a seller-driven transaction, sellers put out a notice of equities for sale. Buyers who are interested in the type of asset available for sale receive the notice and can then respond to negotiate. For a particular asset offered for sale in the system, a time schedule is set and the highest bidder during the time period buys the equity.

The disclosed system thus provides a method for creating an alternative exit strategy for venture capitalists, investors, incubators, corporations and founders. Founders and officers are able to liquidate a portion of their private equity on the secondary market, enabling diversification, providing liquidity, and capitalizing on the progress of the company.

4. Response to § 102 Rejections

As noted, the Examiner rejected independent claims 1, 16, and 26 and dependent claims 2-3, 5-15, 17-18, 20-25, and 28-32 under 35 U.S.C. §102(e) as being anticipated by Shkedy.

With respect to independent claims 1, 16, and 26, applicant has reviewed Shkedy and finds that Shkedy fail to anticipate the subject matter set forth by these claims. For instance, Shkedy fails to teach "creating a secondary market for private equity." Specifically, Shkedy merely indicates a computer system facilitating a transaction of registered securities of an investment company on a secondary market wherein the investment company is preferably a mutual fund or a hedge fund. There are, however, fundamental differences between private equity and mutual fund or hedge fund as well known in the art. The private equity is generally defined as investment in a private company, whereas a mutual fund or a hedge fund as described in Shkedy is a collective investment vehicle that pools money from many investors and invests it in registered securities such as stocks and bonds. Furthermore, Shkedy merely provides a service to sellers and buyers of pre-existing securities (i.e. mutual funds or hedge funds), wherein the central controller merely scans the database for matching selling and buying prices of a security and execute trade only if there is a match, whereas the claim invention sets forth a method for creating a vehicle for auctioning private equity, wherein bidding and negotiations may be

involved. As a result, Shkedy does not even acknowledge, much less address, the need to create such secondary market for private equities, as set forth by independent claims 1, 16, and 26. Therefore, Applicant respectfully submits that independent claims 1, 16, and 26 are in good and proper form for allowance.

With respect to dependent claims 2-3, 5-15, 17-18, 20-25, and 28-32, Applicant submits that these claims depend from independent claims 1, 16, and 26, and incorporate all the limitations therein, and for at least this reason are also allowable.

5. Response to § 103 Rejections

The Examiner has rejected dependent claims 4, 19, and 27 under 35 U.S.C. §103(a) as being unpatentable over Shkedy in view of Hambrecht. The Hambrecht reference is directed to a method for determining the final offering price and allocations of stock of a company in the event of a public offering, wherein the company is seeking to raise capital through the sale of equity into the public market. The Hambrecht reference fails, however, to teach "creating a secondary market for private equity" and does not make up the deficiency of the Shkedy reference as described above. Therefore, Applicant respectfully submits that dependent claims 4, 19, and 27 are in good and proper form for allowance.

6. Conclusion

In light of the foregoing, applicants submit that claims 1 through 32 are allowable, and notice to that affect is hereby requested. The Examiner is invited to telephone the undersigned at (312)913-3305 if further dialog would help move the present application to issuance.

Respectfully submitted,

McDONNELL BOEHNEN
HULBERT & BERGHOFF LLP

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By: /Robert J. Irvine III/
Robert J. Irvine III
Registration No. 41,865